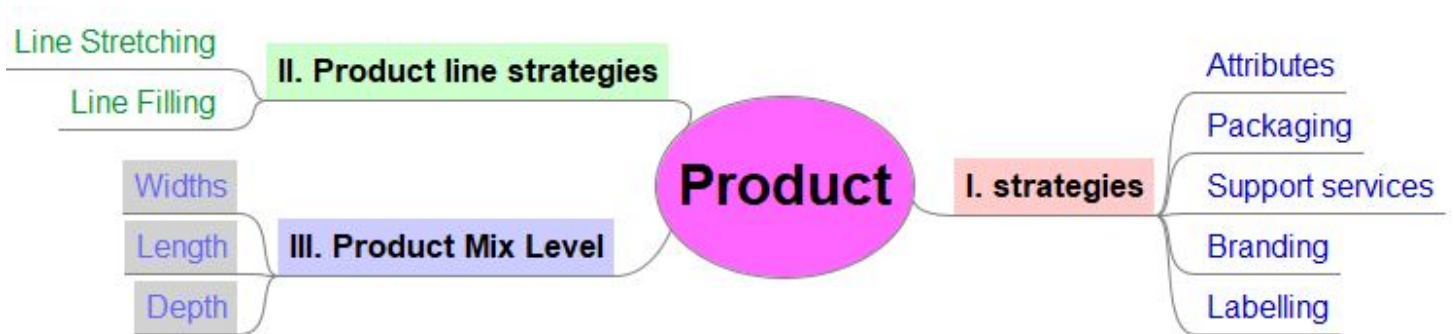


A. Product [combination of goods & services offered]

I. Individual product Level (items)

- (a) **Product Attributes** [benefits to deliver]: *superior* quality, *unique* features, style, design: *well/trendy*
- (b) **Branding**: name, symbol, image: *Prestige, well-known*
- (c) **Packaging**: design, product container/wrapper → protect/contain + recognize brand name
- (d) **Labelling**: material attached → describe products' features/functions, promotion, legal requirements
- (e) **Product support services**: software installation, repair, refund, training



II. Product Line Level (groups of items)

↳ **same line**: similar production requirements & satisfy similar needs of same target market

- (a) **Line stretching** [new consumers]: *add new items*: downward (lower-end) & upward (higher-end) cover more market segment!
- (b) **Line filling** [existing consumers]: *expand current product line*: more choices & keep competitors away

III. Product Mix Level:

widths (total product lines), **length** (total product items), **depth** (variations of items)

B. Price [setting amount to pay for product] (profitable vs reasonable)

I. Internal Factors

(a) Marketing Objectives

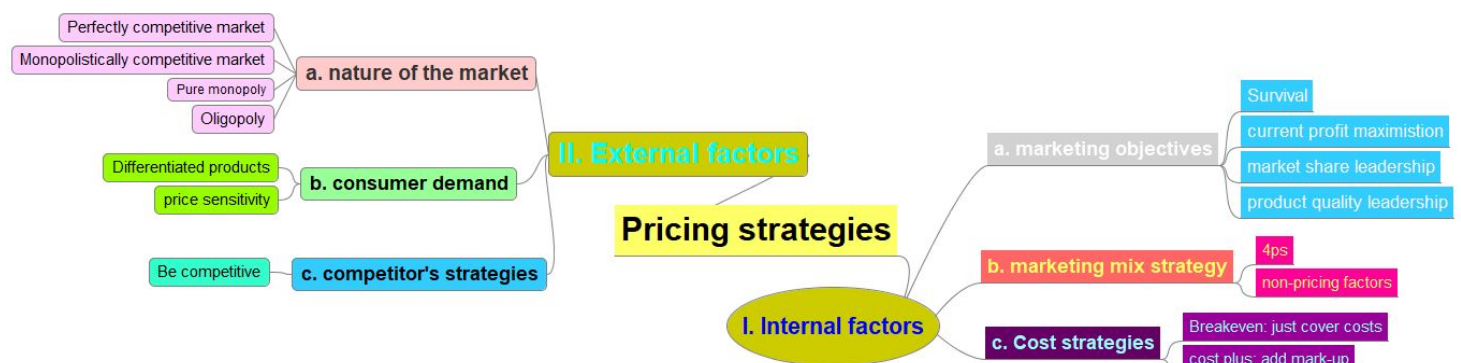
(set **low price** to retain customers and maintain cash flow → promote customers' trials)

- **Survival:** lack resources → low price → keep customers & cash flow
- **Market share leadership:** long-run profits → low price to *maximize market share*
(Set **high price** to maximize current profits in the short run, e.g high tech, highly differentiated product or to cover research and development cost)
- **Product quality leadership:** project HQ image → high price
- **Current profit maximization:** high price

(b) **Costs:** covered all costs (**breakeven pricing** $TR = TC$) → then generate profits

Cost-plus pricing: add a mark-up to the costs

(c) **Marketing mix strategy** : focus on NON-price Factors: 4ps



II. External factors

(a) Market nature

- **Perfectly competitive:** many sellers & buyers → **undifferentiated** → all follow each other's pricing
- **Monopolistically competitive:** many seller & buyers → **highly differentiated** → freedom
- **Pure monopoly:** only 1 seller → lack competition → freedom [✓substitutes & government monitoring]
- **Oligopoly:** a few sellers → aware of each other

(b) Consumer demand:

willingness to pay for benefits: highly differentiated products → less price sensitivity

(c) **Competitors strategies:** interdependence

III. **Price range** (competition): Price ceiling
[max. demand] ↔ Price floor [min. costs]

IV. New products

(a) **Market skimming pricing:** high initial price (*max profit first*) → ✓ attract those who are willing to pay willingness (consumers) → gradually reduce the price ↓

(b) **Market penetration pricing:** low initial price → ✓ attract a larger no. size → (consumers)
→ build large market share



C. Place [activities to ensure availability of products] (distribution, intermediaries)

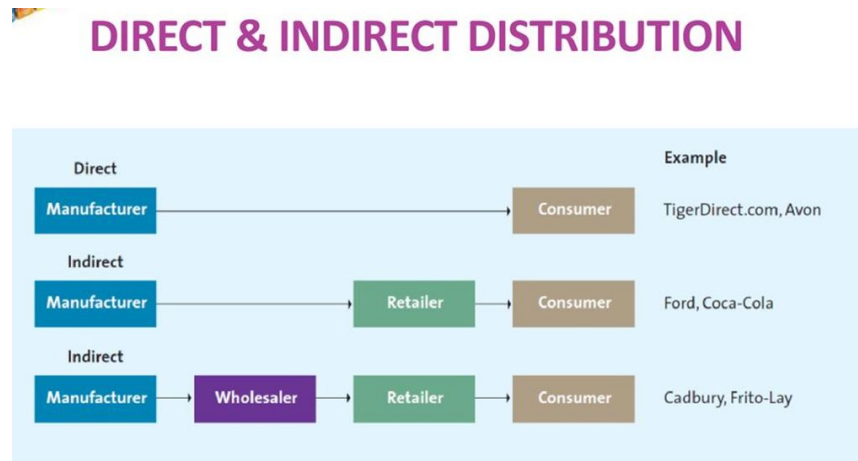
↳ Marketing channel – set of interdependent organisations for making product available to use or consume

I. Functions performed by channel members

- (a) transport the product (b) stock holding and storage (c) provide market information
 (d) promote the product (e) display products for sale

II. Common channel members

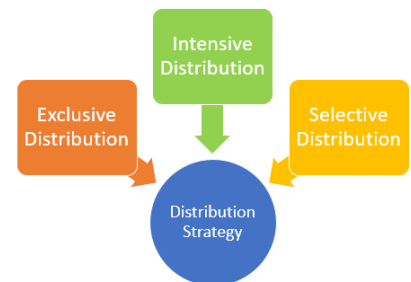
- (a) **Retailer:** outlets → purchase from wholesalers
 (b) **Wholesalers:** stock → purchase from manufacturers → resell to retailers
 (c) **Distributors/dealers:** limited range of stock [risk: poor sales] → similar with wholesalers
 (d) **Agents:** don't purchase products → sell on behalf of manufacturer → commission



III. Steps to design a marketing /distribution channel:

1. Consumer need analysis: (find out what customers want)

- * transaction/ delivery time (the faster the better)
- * product variety (the more the better)
- * locations (conveniently located outlets: shopping mall)
- * purchase mode (by phone, in person via the internet)
- * add-on services (credit, delivery, installation, repairs)



2. Channel objectives: desired service levels provided by the firm

- * nature of the company: financial resources available → own salesforces, retail outlets
- * product characteristics: fresh fruit, dairy product (direct channel), appliances (indirect channel)
- * competitor's strategies: do the same as your competitors

3. Types of intermediaries

(a) **Direct distribution: own sales force**

↳ unique expertise, lack of channel members to handle your products, consumers are geographically concentrated, don't want to use those intermediaries who also handles 'competitors' products'

(b) **Indirect distribution: needs others to help**

↳ high costs, lack expertise and resources, consumers are geographically dispersed [cost-effective↓]

4. No. of channel levels: no need approach one by one → efficient → can't too many

5. No. of intermediaries at each level

	Intensive Distribution	Selective Distribution	Exclusive Distribution
Objective	Achieve mass market selling	Work with selected intermediaries.	Work with single intermediary.
Intermediaries	As many as possible As Many outlets as possible	Some/ Several <i>Using more than one but less than all possible distributors</i>	Limited number Maybe one Award the sole right to sell a product in a defined geographic territory
Control	low	medium	high
No. of consumers	large	medium	small
Types of products	Convenience goods / fast moving consumer goods (FMCG) e.g. Coke, Duracell batteries, shampoos, conditioners, sweets, toothpaste	Shopping and specialty goods e.g. iPads, TV, DVD players, shoes	Specialty goods and industrial equipment or high quality merchandise e.g. luxury cars / branded clothing e.t. BMWs, Fendi handbags
Strategic consideration	Wide availability	Working relationships	Image [high-end]



D. Promotion [activities to communicate merits of products & persuade for purchase]

1. **Target audience**
2. **Communication objectives** [desired responses]: awareness, purchase(interest/desire/actual)
3. **Communication message**
 - (a) **Content** [attention/feelings]: needs → practical/ functional/ social/ psychological
 - (b) **Structure** [expression]: conclusion [definite vs own], perspectives [strengths vs weaknesses]
 - (c) **Format** [media]
 - (d) **Source** [presentation unit]
4. Budget
5. **Promotion mix tools** [consider: business/ consumer markets]
 - (a) **Advertising**: non-personal [mass media e.g. consumer (TV/radio), newspaper, magazine]
 - (b) **Sales Promotion**: short-term incentives to encourage purchase/ trial [e.g. coupons, gifts, samples]
 - (c) **Public relations**: image/ unfavourable events [e.g. donations, sponsorship, press conference]
 - (d) **Personal selling**: salespeople's personal presentation to clients [e.g. insurance]
 - (e) **Direct marketing**: direct connections [phone/ mail/ email/ Internet] (customer database)

	Advantages	Disadvantages
Advertising	<ul style="list-style-type: none"> • Many geographically dispersed consumer • Repeat 	<ul style="list-style-type: none"> • One-way communication • Expensive
Sales promotion	<ul style="list-style-type: none"> • Attention • Strong purchase intention 	<ul style="list-style-type: none"> • Short-term effects ↳ ✗ long-term preference/ customer relationships
Public relations	<ul style="list-style-type: none"> • Long-term image 	<ul style="list-style-type: none"> • Unguaranteed immediate/ direct positive effects on short-term revenues
Personal selling	<ul style="list-style-type: none"> • Preference & motivation to purchase • Long-term customer relationship [interactions] 	<ul style="list-style-type: none"> • Expensive [maintain customer relationships]
Direct marketing	<ul style="list-style-type: none"> • Immediate responses • One-to-one customer relationship 	<ul style="list-style-type: none"> • Can't observe non-verbal cues

6. Communication result measurement: recognition, feelings, attitude, behavioural changes

E. Product Life Cycle (PLC) – five distinct stages in product’s life span

1. Product development: new idea → product [no sales, costs > profits, no 4Ps]

2. Introduction: newly introduced

- Slow sales growth [takes time to accept] → limited profits [heavy expenses]
- Only innovators (willing to try new) → high average cost

- 4Ps [brand awareness + consumer trial]

Product: basic version [low acceptance]

Price: cover promotional costs

Place: selective distribution → lower Costs

Promotion: heavy [advertising & sales promotion]

3. Growth: widely accepted

- Awareness ✓ → consumers ↑ (early adopters) → sales & profits ↑ rapidly → competitors ↑
- Production volume ↑ → meet demand → average cost ↓

- 4Ps [maximize market share before competitors ↑]

Product: quality/ features → satisfy [existing] + attract [new]

Price: more aggressive [lower]

Place: channel members ↑

Promotion: ✓ advertising, ✗ sales promotion [budget]

4. Maturity: sales growth ↓ [potential consumers already purchased]

- Competitors/ substitutes ↑ → prices ↓ & promotion costs ↑ → profits ↓
- High sales volume → low average cost
- 4Ps [protect market share + maximize short-term profits]

Product: differentiation

Price: similar with/ lower the competitors → retain consumers

Place: intensive distribution

Promotion: unique features

5. Decline: sales & profits ↓ [competitors ↓]

- Obsolescence/ consumer tastes/ competition → out of market
- Must keep low average cost
- 4Ps [↓ unnecessary expenditure → maximize possible profits]

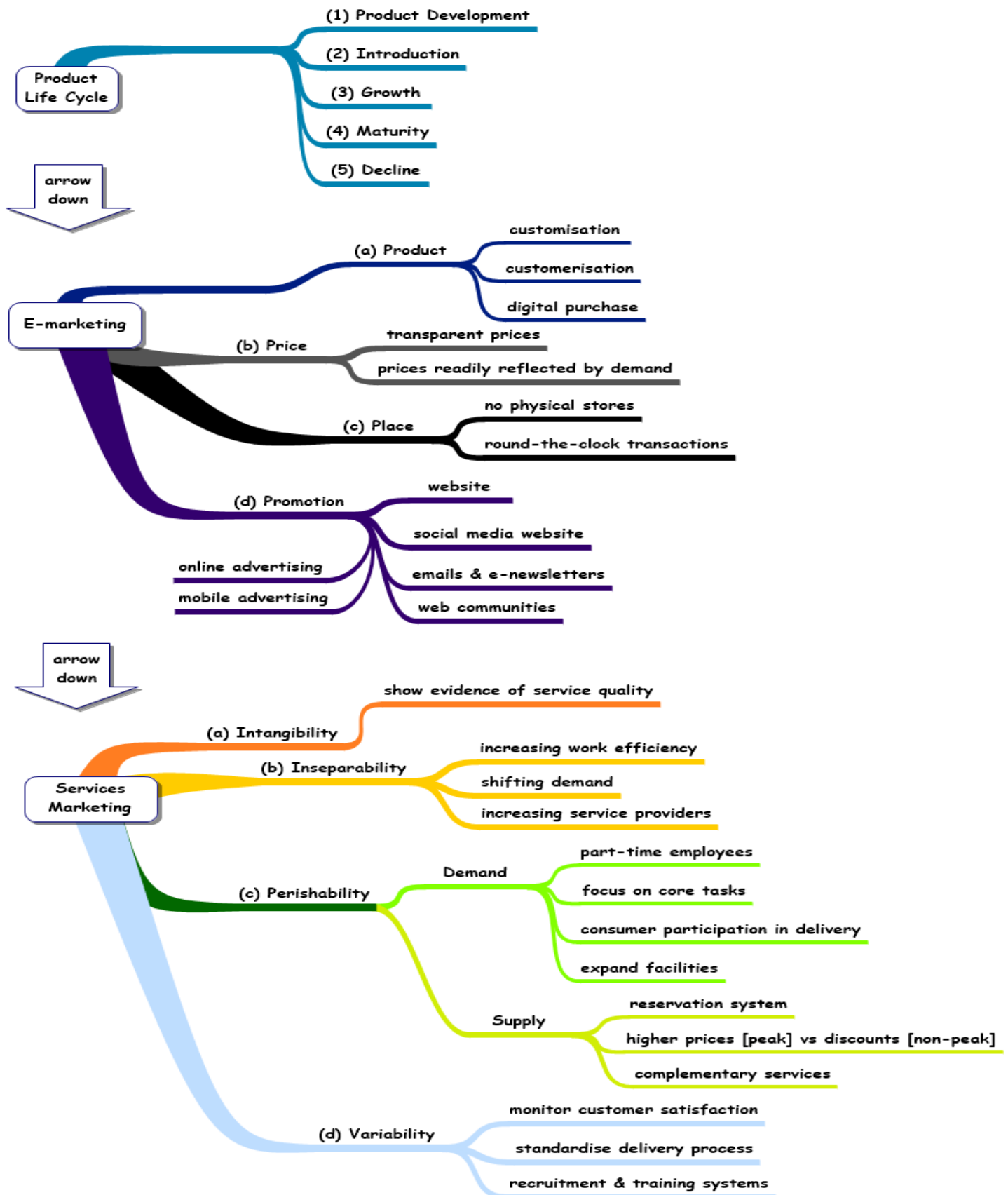
Product: popular models

Price: lower → purchases ↑

Place: selective distribution

Promotion: ↓ budget + loyal customers

Marketing Chap. 6
Marketing Strategies for Goods and Services (II)



F. E-marketing – promote or sell products on Internet (no marketing research/ lower costs)

I. Product

- **Customisation** – tailor products for consumers based on previous purchase preferences
- **Customerisation** – allow individual consumers to design own products
- Digital purchase – choose items on Internet without physically going to retail outlets
↳ shopping website: user-friendly, ✗ technical problems, ✓ payment security

II. Price

- **Transparent**: easily search for information → compare → can't be too high
- **Readily reflected by demand**: interactive → flexible

III. Place

- **No physical stores**: online → capital investment & operating costs ↓
- **Round-the-clock transactions**: no fixed opening hours → anytime → convenient → sales ↑

IV. Promotion

- **Website**: attract + awareness → corporate [goodwill & information] vs marketing [direct promotion]
- **Online advertising** – advertising messages that appear when consumers browse Internet
 - Banner ads & skyscrapers**: top/ side of webpage [tall, skinny]
 - Interstitial**: pop up when changing websites
 - Search-related ads**: searching engines → text-based/ links
 - Social media website**: frequent updates + special offers (e.g. Twitter, FB, IG, and Sina Weibo)
 - Mobile advertising**: SMS/ MMS/ mobile webpages/ applications/ games/ location-specific (GPS)
 - Web communities**: groups of people exchanging news on common interest online [targeting]
 - Emails & e-newsletters**: low costs

G. Services marketing [4 characteristics]

I. Intangibility – services can't be seen, tasted, felt, heard or smelled before purchase

- Solution: tangible evidence of quality (e.g. certificates, qualifications, display, layout)

II. Inseparability – production and consumption of service occur at the same time and are inseparable

- Service provider unavailable at consumers' most preferred time: can't obtain services
- Solutions (a) ↑work efficiency: fine-tune/ simplify work procedures
 - (b) ↑service providers [long run]
 - (c) shifting demand: ↑price when prefer particular provider → switch within outlet

III. Variability – service quality depends on provider, and when, where, how it is provided

- Same provider: quality still varies
- Solutions:
 - (a) **Recruitment & training systems**: appropriate & skilled → consistently high quality
 - (b) **Monitor customer satisfaction**: ✓ suggest & complain → detect problems → adjust (correct)
 - (c) **Standardise delivery process** [strict]

IV. Perishability – service can't be stored for later sale or use [hard to match demand & supply]

• **Solution (demand)**

- (a) **Reservation system**: booking [phone/Internet] → control demand → waiting time↓
- (b) **Complementary services**: ↓impatience (e.g. waiting zones: leisure)
- (c) **Shifting demand**: higher prices [peak] vs discounts [non-peak]

• **Solutions (supply)**

- (a) **Part-time employees**: meet high demand [peak]
- (b) **Expand facilities**: ↑equipment → meet high demand [peak]
- (c) **Focus on core tasks**: efficient use of limited manpower [peak]
- (d) **Consumer participation in delivery**: workload↓ → efficiency↑ → waiting time↓

- Customer Relationship Management – build and maintain profitable relationships with customers by delivering superior value and satisfaction

↳ Characteristics: aim high customer lifetime value, customer-oriented [preferences], IT

A. Objectives

- (a) **Attract new customers**: understand targets' needs & wants → specific product
- (b) **Retain existing customers**: improve → less likely to switch [less time & resources than (a)]
- (c) **Enhance customer loyalty**: satisfaction + relationship being valued by firm

↳ cross-sell: additionally sells similar/ related products/ services to existing customer

↳ loyal customers ↑ → sales ↑ → customer equity ↑ [combined lifetime values of all customers]

B. Importance

- (a) **Effective market segmentation & targeting**: buying habits [frequency, type amount] → division → focus
- (b) **Tailor-made products/ services**: individual/ one-to-one marketing [needs & preferences]
- (c) **Assess cost of serving individual customers accurately**: potential financial benefits vs resources used
- (d) **Continuous communication & feedback**: problem & comments/ complaints [computer system]

C. Factors Affecting Customer Loyalty

I. Customer Satisfaction (products' performance: above/= /below expectation → repurchase vs switch)

↳ strategies

(a) Match customers' expectations

- **Measure customer retention rate** [% of customers purchasing continuously since 1st purchase]
- **Analyse causes of customer defection** [shift to other firms' products] (market research)
- **Add-on services**: free/ reasonably priced: delivery, software maintenance, repairs, free programs, extended warranty

(b) Strong customer bonds

- **Financial** [e.g. frequency programme: purchase discounts, gift redemption, service upgrade]
- **Social** [e.g. club membership programme: all/ limited by frequency/ fee]

(c) **Partnership relationship management** – marketer works closely with internal and external parties to jointly bring greater values to customers

↳ colleagues from other departments/ external stakeholders [e.g. channel members, agencies]

II. Effective Communication with Customers (updated & accurate product information → purchase decisions)

↳ strategy: social media websites [e.g. Facebook: likes]

III. Handling Customer Complaints (restore confidence) [more dissatisfied = more compensation expected]

↳ strategies (a) Provide authority to employees → handle on the spot

(b) Treat customers fairly

